

June 30, 2003

Ms. Tess Butler
GIPSA, USDA
1400 Independence Avenue, SW
Room 1647-S
Washington, DC 20250-3604

Re: Livestock and Meat Marketing Study
Federal Register-May 30, 2003 pg 32455

Dear Ms. Butler:

The Texas Cattle Feeders Association (TCFA) represents cattle feeders in Texas, Oklahoma and New Mexico, an area that feeds over 30% of the fed cattle production in the U.S. We applaud USDA/GIPSA's plan to study marketing methods of livestock from the farm level to the retail, export and foodservice levels.

TCFA supports USDA's plan to solicit contracts for the study from various sources. For the results of the study to have acceptance among all industry segments, TCFA supports the involvement of prestigious business schools or consulting firms in cooperation with agricultural land grant universities. Schools or universities with the stature of the Wharton School of Business or Harvard School of Business would lend unquestionable credibility to the study's results and remove the claim of bias that might arise from the results if the usual agricultural universities conduct all of the work. These universities also bring experience in analyzing other industries for marketing disruptions and inequities resulting from excessive power or control by any sector of a given industry.

Once the work is completed, peer reviews could then be conducted by a group having outstanding research credentials in the respected areas. Within the cattle/beef sector, this should include Dr. Clem Ward, Oklahoma State University; Dr. Ernie Davis, Texas A & M University; Dr. Jim Mintert, Kansas State University; Dr. Wayne Purcell, Virginia Polytechnic University and Bill Helming, Helming Consulting Services. These are just a few of the names from a large pool of academicians that would be qualified to conduct a peer review.

Within the retail sector of the study, the following concerns should be addressed:

- (1) The new scanner data on retail beef prices currently takes six to eight weeks to be released. Adjustments should be made in collection and reporting so the data is available within two weeks. Or at least the industry should be advised as to why it can't be released in a timely manner. Also, the participation level should be at least 50% of the total sales volume.
- (2) An in-depth analysis of what is referred to as the high-low pricing strategies by retailers and the potential for price manipulation exists in using the high-low pricing method.

(3) Do retailers spread the cost of reducing beef prices over the beef/meat segment only or do they proportion the cost over the entire store? In other words, when beef is used as a loss leader to generate more traffic in a store are beef profits or losses made to stand on their own or are increased sales of other items taken into account when computing beef/store margins?

Within the area of cattle marketing, the following areas should be addressed:

(1) USDA should conduct an exhaustive review of current literature and develop a definitive answer to "What impact, if any, do captive supplies have on spot markets?" TCFA's definition is "Captive supplies include all cattle sales except negotiated sales shipped within 7 days. Negotiated sales are priced at the time of the sale." If a different definition is used, the definition should be clearly spelled out in the report and analyzed to determine its impact.

(2) Are there points in the beef production and marketing system, from the producer to the consumer, where price discovery and /or proper market signals fail to function adequately? If so, why? Are there any possible solutions?

(3) Are there points in the beef production and marketing system where the potential exists for price manipulation? If so, where are they and what are the possible solutions?

(4) Analyze and summarize issues associated with price discovery, thin markets, long term effects on cost and prices, competitiveness with other meats, structural change, and market power dimensions. Without critical analysis, industry and government will not be able to identify solutions to problems that might exist.

The narrative text of the Notice and Request for Comment outlines that the study will focus on all aspects of livestock and meat marketing, from farm to retail. However, the five parts and ten objectives outlined in the proposal appear heavily weighted toward livestock marketing alternatives. We encourage USDA to insure a thorough review of all segments, including retail.

Thank you for considering our recommendations as USDA assembles the necessary expertise and completes a study that should provide definitive, unbiased answers to many of the questions troubling cattle producers today.

Sincerely,

A rectangular box with a black border, containing a small red 'x' in the top-left corner, indicating a redacted signature.

Scott Keeling
Chairman

cc: Secretary Veneman